processed orders. For example, the time frame for Verizon's transmission of an order confirmation (or order rejection for incorrect orders) on many flowthrough orders is two hours compared to a 24 to 48 hour interval for non-flowthrough orders. The faster a CLEC customer's order is processed, the more quickly the customer should be able to obtain the requested service ordered from the CLEC.

32. The FCC clarified in both the *Verizon New York Order*[23] and the *Verizon Massachusetts Order*[24] that flowthrough performance is to be examined as a tool to determine whether, in conjunction with other problems that CLECs may be experiencing with the processing of their orders, an incumbent's OSS provides discriminatory service and denies competitors a meaningful opportunity to compete against Verizon. Poor flowthrough rates, along with other problems, may indicate other OSS deficiencies such as the failure to provide competing carriers with complete, up-to-date business rules and ordering codes; failure to provide order status notices electronically; and inability to process competing carriers' orders accurately at reasonably foreseeable commercial volumes, and in a nondiscriminatory manner.[25] As explained below, Verizon's poor flowthrough rates, coupled with additional order processing problems, demonstrate that Verizon's OSS fails to provide nondiscriminatory service.

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[23] Memorandum Opinion and Order, *Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Service in the State of New York,* 15 FCC Rcd. 3953 (1999) at ¶161. *Application of Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions) And Verizon Global Networks Inc., For Authorization to Provide In-Region, InterLATA Services in Massachusetts,* 2001 FCC LEXIS 2117 (April 16, 2001) at ¶78.

[24] Memorandum Opinion and Order, *Application of Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions) And Verizon Global Networks Inc., For Authorization to Provide In-Region, InterLATA Services in Massachusetts,* 2001 FCC LEXIS 2117 (April 16, 2001) at ¶78.

[25] *Verizon Massachusetts Order* at ¶77, *citing Bell Atlantic New York Order,* 15 FCC Rcd at 4034, para. 162; *Second BellSouth Louisiana Order,* 13 FCC Rcd at 20671, para. 108.

33. Verizon's flowthrough rates in Pennsylvania are substantially lower than in other states. In addition, Verizon does not provide timely BCNs and unduly relies on manual processes to handle competitors' orders that should otherwise be handled automatically. In the absence of sufficiently automated systems, Verizon will be forced to rely unduly on manual processes to handle CLECs' orders as those volumes may increase over time. Given Verizon's poor performance at the current and relatively modest volumes of transactions, Verizon will be unable to keep pace with the volumes of CLEC orders. CLECs will be unable to obtain timely processing of their orders and will be unable to compete fairly against Verizon. In light of these other problems, Verizon's low flowthrough levels, in fact, present evidence of other OSS deficiencies, all of which must be corrected.

34. AT&T has thoroughly examined its flowthrough experience using Verizon PA's LSOG4 EDI OSS interface and has found consistently poor "achieved flowthrough" rates, that is, the percentage of AT&T orders that, according to Verizon PA's own documentation, are designed to flow through that actually do so. AT&T has also analyzed those orders to confirm that the Local Service Requests ("LSRs") that it submitted were properly completed according to Verizon's business rules. Consequently, none of Verizon's arguments regarding CLEC-attributable problems applies to AT&T's experience.

35. For January of 2001, AT&T experienced a flowthrough-achieved rate of only 33%. As previously indicated, this calculation measured the total number of all confirmed orders that flow through divided by the total number of *flowthrough eligible* orders, consistent with the flowthrough achieved metric [OR-5-03] that is in place in Massachusetts, New Jersey, New York and Virginia. It is noteworthy that this same metric is not in place in Pennsylvania. Verizon opposed the implementation of OR-5-03 in Pennsylvania, contending that it was not necessary to

measure and report the flowthrough achieved rate – despite Verizon's willingness to report that rate in other states in its region. Unfortunately, the Pennsylvania Commission accepted Verizon's argument, and has allowed Verizon to report only the number of orders flowed through compared to the total number of orders placed. However, according to AT&T's data, AT&T's flowthrough achieved rate for January 2001 was 33%; 55% in February 2001, and 65% in March 2001. These achieved flowthrough rates demonstrate that Verizon's OSS are not operating in accordance with its purported system design. Further, these results contrast sharply with KPMG's test results that show a 99% flowthrough rate during its transaction testing (based on limited volume and order types).

36. Verizon's own reported total flowthrough rates in its monthly C2C reports confirm its systems flowthrough deficiencies. Even using the different measure of Total Flowthrough [OR-5-01] that Verizon supports, the industry-wide flowthrough rates for January through May respectively were only 44%, 56%, 59%, 54% and 65%. The AT&T-specific total flowthrough rates, according to Verizon, were even worse: 11%, 36%, 51%, 19%, and 8% respectively, for January through May 2001.

(b) Verizon's Pennsylvania Flowthrough Is Much Lower Than Its New York Flowthrough Performance.

37. Any reliance that Verizon places on its New York and Massachusetts flowthrough rates that were in effect at the time that Verizon's respective 271 applications were pending before the FCC, in an effort to rationalize its poor Pennsylvania experience, is completely misplaced. Rather than comparing past flowthrough rates while Verizon's 271 applications were pending when it submitted its other 271 applications, the Commission should focus on Verizon's *current* flowthrough experience in New York and Pennsylvania to gauge the sufficiency of

Verizon's Pennsylvania OSS. There is no reason why the Pennsylvania flowthrough rates should be any different from the current New York flowthrough rates, because Verizon should be willing and able to transfer the knowledge and expertise that it has obtained in New York to its Pennsylvania OSS, as Verizon witness Marilyn DeVito pointed out during the state technical conferences.[26]

38. Certainly Verizon should not be permitted to avoid investing the resources necessary to enable Pennsylvania OSS to perform at levels it already has achieved in a neighboring state. The reality, however, is that the Pennsylvania systems do not flow through comparable levels of orders compared to New York. The New York flowthrough rate is almost *twice* the level of Pennsylvania flowthrough. An examination of the Pennsylvania and New York total flowthrough rates for UNEs for the first five months of 2001 is particularly revealing.

Month	NY OR-5-01	PA OR-5-01
January 2001	83%	44%
February 2001	84%	56%
March 2001	83%	59%
April 2001	81%	44%
May 2001	85%	65%

39. As a result of its poor flowthrough rate from January through May (54%), Verizon personnel were required to process manually about 212,000 Pennsylvania UNE-P orders, an average of 42,500 orders per month.[27] In New York, where Verizon has been in the interLATA market for over a year, a flowthrough rate of 54% would translate into the manual processing of

[26] Technical Conference at 197-198 (M-00001435, 3/6/01).

[27] This information is derived from Verizon's C2C performance reports for Pennsylvania and New York, relying on the number of orders reported under OR-5-01.

over 700,000 CLEC orders during these five months. This level of manual processing of orders is simply not sustainable to assure that Verizon's local markets are fully and irreversibly open to local competition. Particularly as Verizon continues to seek 271 entry into multiple states within its footprint, Verizon's system will be required to support activity in multiple states where its OSS are in commercial production and being used by CLECs in their attempts to compete against Verizon in providing local service to customers. Verizon's systems must be sufficiently automated to flow through comparable numbers of CLEC transactions in all states, including Pennsylvania.

(c) Verizon Has No Incentive To Improve Its Flowthrough Performance Because It Is Not Required to Meet Any Performance Standards Or Pay Any Associated Remedies.

40. Making matters worse in Pennsylvania, Verizon is not required to meet any performance standards or to pay remedies for low flowthrough rates. In Massachusetts and New York at the time that Verizon requested 271 approval, Verizon was subject to, and continues to be subject to, flowthrough performance standard and remedies payments within those states' Performance Assurance Plans. Verizon must pay $2.5 million per quarter in New York and a proportionally comparable amount in Massachusetts should Verizon fail to achieve a total flowthrough rate of 80% and an achieved flowthrough rate of 95%. Although Verizon-New York failed these standards for the first three-quarters of 2000, and paid associated remedies, Verizon met these standards in New York for the fourth quarter of 2000. Clearly, the

performance standard and remedies have provided a significant incentive for Verizon to improve its flowthrough performance in New York.[28] Similar incentives are needed for Pennsylvania.

(d) Verizon's Poor Flowthrough Is An Indicator Of Other OSS Performance Problems.

41. Verizon's poor flowthrough rate has been shown to be an indicator of other OSS deficiencies, such as order processing inaccuracies, provisioning inaccuracies, and the inability of its systems to be scaled to handle projected CLEC volumes.[29] Verizon's poor flowthrough rate

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[28] As discussed in more detail in the Declaration of Mr. Bloss and Mr. Nurse, Verizon's purported offer to implement the New York C2C performance measurements in Pennsylvania will not address this concern, because the New York flowthrough provisions—particularly the remedies provisions—are set forth in the Performance Assurance Plan ("NY PAP") and not in the performance standards. Verizon has resisted all efforts to voluntarily adopt the NY PAP in Pennsylvania.

[29] The FCC specifically mentioned these factors, among others, as considerations that would further substantiate that poor flowthrough performance is in fact an indicator of other OSS deficiencies. *New York 271 Order* at ¶163; *Massachusetts 271 Order at* ¶77.

Order inaccuracies show up in OR-6-01, which Verizon has consistently failed, even after Verizon unilaterally adjusted the methodology used to determine whether a mistake should be attributable to Verizon or to a CLEC. Likewise, during the state 271 proceeding, XO has brought forward evidence of Verizon's shortcomings in providing complete and accurate FOCs that was not captured in OR-6-03, which measures the percentage of LSR confirmations that are resent due to Verizon error. Notably, Verizon is not reporting OR-6-03 based on the prescribed methodology that requires an evaluation of every resent LSRC due to Verizon error. Rather Verizon is using a sampling methodology and examining only a small portion of the actual LSRs that it generates every day. *See* Bloss/Nurse Declaration.

Verizon's April C2C reports are replete with examples of poor provisioning performance. The metrics where Verizon rendered poor performance included: PR-6-01, for which Verizon has failed to meet the parity metrics for the percentage of troubles reported within 30 days of the installation of service for POTS, 2 Wire Digital, 2 Wire xDSL and 2 Wire xDSL Line Sharing.

Additionally, Verizon failed to meet the following seven provisioning metrics for POTS services: PR-1-01(Average Interval Offered-No Dispatch-Hot Cut Loop); PR-1-03 (Average Interval Offered-Dispatch (1-5 Lines-Loop), PR-2-01(Average Interval Completed-No Dispatch-Hot Cut Loop); PR-3-01(% Completed Within 1 Day (1-5 Lines-No Dispatch); PR-3-06 (% Completed Within 3 Days (1-5 Lines-Dispatch); PR-4-05 (% Missed Appointment – Verizon-No Dispatch – Other and % Missed Appointment – Verizon-No Dispatch – Platform); , PR-4-11 (% Missed Appointments – Verizon- Standard Interval (W Coded) Orders – No Dispatch for both Other and Platform orders).

Verizon missed two additional provisioning metrics for 2 Wire Digital Services: PR-1-01 (Average Interval Offered-Total No Dispatch) and PR-4-02 (Average Delay Days-Total).

Verizon also missed PR-5-01, the percentage of missed appointments due to Verizon facilities, for 2 Wire xDSL loops.

Verizon missed PR-4-05, the percentage of missed appointments requiring no dispatch, for 2 Wire xDSL Line Sharing services.

(Continued...)

precludes CLECs from being able to submit orders that are processed promptly and accurately, and denies CLECs with a meaningful opportunity to compete against Verizon. Verizon's failure to sufficiently automate its systems and its continuously poor flowthrough results also illustrate that Verizon has not shown that its systems are capable of handling both current demand and projected demand for CLEC access to OSS functions.[30]

42. There is no question that manually processed orders take longer to receive firm order confirmation responses.[31] There is also no question that the frequency of mistakes on order confirmations is greater for non-flowthrough orders than for flowthrough orders, since the confirmations on flowthrough orders are system-generated and are not exposed to the same types of manual errors that non-flowthrough orders experience. The accuracy of orders that did not flow through into Verizon's service order processor ("SOP") is measured in OR-6-01. The

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(...Continued)
For Special Services, Verizon missed the majority of the provisioning metrics. Of the 20 metrics, all of which have parity with retail standards, for which it reported z-scores, Verizon *failed* 16 of those metrics: PR-1-02, PR-1-07, PR-2-02, PR-2-07, PR-4-01 (all three submetrics); PR-4-09 (all three submetrics).

The Declaration of Messrs. Bloss and Nurse further identify Verizon's most recent provisioning and maintenance and repair performance failures for the May 2001 period.

Clearly, as these data indicate, Verizon provides CLECs with poor provisioning performance.

[30] *See Bell Atlantic New York Order* at ¶88. This standard is part of the FCC's first inquiry regarding whether a BOC has met the nondiscrimination standard for each OSS function, where the BOC must show that it has developed sufficient electronic and manual interfaces to allow competitors equivalent access to all of the necessary OSS functions. First, Verizon's LSOG4 version of its interface has not been subject to *any* third party volume testing by KPMG. To the extent that KPMG did any volume testing of Verizon's soon to be obsolete LSOG2 version of the interface, only flowthrough volumes were tested. KPMG did not examine whether Verizon's staffing resources are sufficient to support projected demand in CLEC volumes particularly in light of Verizon's actual flowthrough rates. OSS Workshops at Tr. 67-68 (M-00991228, 12/2/00).

[31] *See, e.g.*, OR-1 in the C2C Guidelines. The order confirmation for a flowthrough order is due within two hours of Verizon's receipt of the local service request (regardless of whether the day in question is a business day, weekend or holiday. In contrast, the due date for non-flowthrough order confirmations ranges from one to three business days.

reports show that Verizon has failed the 95 percent performance standard for this metric consistently for months on end.[32]

43. Verizon also tries to rationalize its poor flowthrough performance by pointing out that some Pennsylvania CLECs have been able to achieve better than average flowthrough rates in Pennsylvania. The wide disparity among individual CLEC flowthrough rates has little if anything to do with individual CLEC conduct. Rather, that disparity is caused by the way in which flowthrough rates are measured in Pennsylvania. OR-5-02—simple flowthrough—measures the total number of non-complex service orders that flowthrough divided by the total number of non-complex orders submitted (regardless of whether the order was eligible to flowthrough). This is different from comparing the number of orders that flowed through to the total number of orders that were *eligible* to flowthrough ("flowthrough achieved"), which is measured in New York and Virginia, but which Verizon opposed in Pennsylvania. The OR-5-02 measurement simply reports the flowthrough orders as a percentage of total orders, without regard to whether the order was eligible to flowthrough. Similarly, the OR-5-01 measurement computes the percentage of total number of orders that flowed through divided by the total number of all orders, without any regard for whether an order was eligible to flowthrough. Neither measurement examines whether Verizon's systems are designed to, and actually do flow through a sufficient level of orders. To

[32] Verizon's performance was 77% in July 2000; 73% in August 2000; 50% in September 2000; 86% in October 2000; 85% in November; December results not available; 87% in January 2001; 85% in February 2001; 94% in March 2001; 93% in April; 93% in May 2001. The improvements suggested in its March through May 2001 performance, however, are based on Verizon's unilateral modifications, which were unauthorized and unverified, to the manner in which it evaluates order accuracy. Verizon now claims that some order errors are excluded because they purportedly are attributable to competitors' errors in the preparation of orders. There has been absolutely no opportunity for competitors or other interested third parties to verify these claims. Verizon does not provide competitors with the underlying order records comprising its sample of 20 UNE orders and 20 resale orders that it examines to develop this performance measurement. Moreover, Verizon evaded KPMG's review of its modified practice by implementing it after KPMG completed its metrics analyses in the third party OSS test in December 2000. Even after implementing its modified evaluation of orders, however, Verizon still fails the 95% performance measurement.

accurately evaluate whether Verizon's system is operating in its intended manner, the flowthrough analysis should look at whether the orders that were designed to flowthrough did, in fact, flowthrough.

44. Consequently, based on the Pennsylvania OR-5-01 total flowthrough measurement and the OR-5-02 simple flowthrough measurement, if a CLEC submits many orders that are not eligible to flowthrough in the first place, the CLEC's flowthrough level will by definition be lower than a CLEC that submitted relatively more flowthrough eligible orders. That is the more likely reason why the range of flowthrough rates for individual CLECs varies, and not because certain CLECs are doing something wrong, such as submitting inaccurate LSR forms, as Verizon suggests.

45. Verizon PA also concedes that in most cases its system is incapable of flowing through "supplemental" orders (e.g., orders where the customer makes a change in his or her service request before the initial order is completed). Instead of fixing its systems to permit these orders to flow through, as they should, Verizon instead tries to attribute this problem to the CLECs for submitting these supplements in the first place.[33] The reality of the marketplace, however, is that customers can, and do, change their minds, and CLECs must have a meaningful way to respond to their customers' changing needs. Thus, the submission of supplemental orders reflecting customer-requested changes is not caused by some fault of the customer or the CLEC. The inability to flow through such orders is solely attributable to Verizon's refusal to design its systems to give these orders flow-through capability.

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[33] McLean/Wierzbicki/Webster Decl. at ¶78.

2. Verizon's Failure To Provide Timely Billing Completion Notices Denies CLECs A Meaningful Opportunity To Compete.

(a) Verizon's BCNs Are Late Under Any Reasonable Timeliness Measurement.

46. Verizon's systems continue to perform unsatisfactorily by failing to provide timely billing completion notifications ("BCNs"). Using any reasonable standard of measurement, Verizon has consistently failed to deliver timely billing completion notices to AT&T. In January 2001, AT&T reported that Verizon provided 35% of AT&T's BCNs late. In February 2001, 25% of AT&T's BCNs were late.[34] For these calculations, AT&T counted as "on time" any BCN received within three business days of the provisioning completion date. In March 2001, using a more conservative benchmark of 4 business days from the provisioning completion date, Verizon still provided 25% of AT&T's BCNs late.[35] The BCN lateness/tardiness problem has gone unaddressed for months, due in large part to the lack of an established metric and performance standard applicable to BCNs.[36] In the absence of an established standard, Verizon has been unaccountable either to the PaPUC or to its competitors for its substandard wholesale service.

47. The BCN is the last notifier in a series that informs the CLEC of the status of Verizon's processing of the CLEC's order. The BCN confirms that: (1) Verizon has updated its billing records to reflect the provisioning work that it has done on behalf of the CLEC's customer and (2) that Verizon has stopped its retail billing for the customer. The BCN also concludes the

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[34] *AT&T Comments on January 2001 Commercial Availability Data* at 7 (M-00001435, 3/23/01); *AT&T Comments on February 2001 Commercial Availability Data* at 11(M-00001435, 4/13/01). AT&T provided extensive BCN data, by specific purchase order number ("PON") during the January, February and March commercial availability months to substantiate its late and missing BCN problems.

[35] *Id.* Using the two-business day and three-business day standards of timeliness, Verizon's on-time rate for BCNs was only 66% and 72%, respectively.

[36] *See AT&T's Comments Concerning February 2001 Commercial Experience Data* at 11-12, M-00001435 (April 12, 2001).

transfer of responsibility for the customer from Verizon to the CLEC. If the CLEC does not receive a timely BCN, the CLEC does not know whether Verizon has updated its billing systems. The CLEC is then forced to initiate a Verizon trouble ticket to determine the status of the missing BCN. This process of opening, monitoring, and obtaining the status of trouble tickets (known as the "PON Exception Process") is manually intensive for both CLECs and Verizon, and is a wholly inadequate workaround for Verizon's faulty automated systems. Unfortunately, CLECs must bear the brunt of the responsibility, incurring additional time and expense to initiate trouble tickets and to resolve its missing BCNs all the while losing billing revenues for those customers.[37]

48. CLECs are faced with a clear competitive problem because of Verizon's failure to provide timely BCNs. If the CLEC does not begin billing customers until Verizon issues the BCN – so as to minimize the possibility of double billing the customer -- then Verizon may continue to collect revenues to which it is not entitled from customers that have been transferred to CLECs. All of this occurs at the CLECs' expense of foregoing important revenues at the same time that they are incurring costs to serve those customers. Even if Verizon later takes corrective action to provide the daily usage for these customers to the CLEC who now is serving that customer, that billing information arrives far too late for the CLEC to be able to bill that customer in a timely fashion, and without incurring the risk of injuring its reputation and goodwill with that new customer. The CLEC also incurs additional expenses for customer care and management of its wholesale billing simply to accommodate Verizon's deficient practice. Unless and until Verizon fixes this problem, customers may also be exposed to the risk of double billing. Without receiving a BCN from Verizon to confirm that it has updated its billing records and has stopped billing its

[37] Verizon acknowledged that in the majority of cases where a CLEC has not received a BCN on an order that has been provisioned, the billing system has in fact not been updated. Technical Conference at Tr. 87-88 (Docket No. M-00001435, 3/7/01).

former end user customers that have transferred their service to CLECs, the CLECs cannot and do not know whether their customers are continuing to receive Verizon bills. CLECs have no way of knowing whether Verizon updated its billing systems and simply did not provide the BCN to the CLEC to advise them of this fact, or whether the lack of a BCN means that Verizon has failed to update its billing system to transfer the customer's billing to the CLEC in the first place.[38]

(b) Verizon's BCN Lateness/Tardiness Problems Are Further Exacerbated Because Verizon Is Not Required to Meet Any Performance Standard or Pay Remedies for Late and Missing BCNs.

49. The FCC and several state commissions have already recognized the importance of CLECs' timely receipt of BCNs. Following the New York OSS service crisis in January 2000 arising from Verizon's failure to issue timely notifiers to CLECs, both the New York Public Service Commission and the FCC ordered Verizon New York to implement BCN metrics with performance standards that are also subject to remedies.[39] The New Jersey Board of Public Utilities also has directed the implementation of BCN metrics and performance standards. Verizon, however, resisted any effort to incorporate a BCN metric into the Pennsylvania Performance Assurance Plan until the twilight of the 271 state proceeding, when it vaguely suggested that it may be willing to implement a BCN metric based on the New York metrics. Verizon was then forced to clarify that it had not agreed to the BCN metric in question and that it was only referring to discussions that were ongoing in the New York C2C Collaborative. The

[38] Verizon acknowledged that in the majority of cases where a CLEC has not received a BCN on an order that has been provisioned, the billing system has in fact *not* been updated. *Id.*

fact remains, however, that there is no BCN performance standard in place in Pennsylvania today and it is unknown whether one will be implemented in the future.[40]

50. AT&T's understanding of the manner in which Verizon's systems operate is consistent with the FCC's description as well as Verizon's own explanation of those systems:

> After provisioning an order that requires physical work, Verizon updates its Service Order Processor to reflect that the work has been done; if an order requires no physical work (*e.g.*, feature changes), the Service Order Processor is automatically updated during overnight processing. The Service Order Processor then communicates with the appropriate Verizon gateway to send a provisioning completion notice to the competing carrier. The Service Order Processor also communicates to Verizon's billing system that the work has been completed. Verizon's billing records are updated overnight, and Verizon sends a billing completion notice to the competing carrier the next day.[41]

51. Verizon's description of its systems confirms that BCNs are expected to be transmitted two business days after the provisioning work has been completed. Once the provisioning work has been done, the SOP is updated by the next day and the provisioning completion notice is also issued on that same day. The SOP then provides that information to the billing system, which should update overnight, and the BCN is sent the next day, or two business days after the field work completion date.

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[39] *In re Bell Atlantic-New York Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service In the State of New York, Order Adopting Consent Decree*, File No. EB-00-IH-0085, FCC 00-92 (Order Released March 9, 2000) ("The receipt of the billing completion notice signals that Bell Atlantic has successfully transferred the customer to the competing carrier, which can then begin billing the customer without fear of double billing") *Id.* at 3; *Complaint of MCI Worldcom, Inc. against Bell Atlantic-New York Concerning Billing Completion Notices, Firm Order Commitments, Acknowledgments and Tracking Numbers*, NYPSC Case 00-C-0008, *et seq.*, *Order Directing Improvements to Wholesale Service Performance* (issued February 11, 2000).

[40] The Declaration of Mr. Bloss and Mr. Nurse discusses in more detail the problems with Verizon's vague future promise to consider adopting the New York C2C metrics in Pennsylvania. The fact remains that as of today, there is no BCN metric or remedy in place in Pennsylvania.

[41] *Verizon Massachusetts Order* at ¶83. *See also* McLean/Wierzbicki Declaration in CC Docket No. 01-09 at ¶¶75-76 (September 22, 2000)(emphasis added).

52. Even the limited information that Verizon made available during the state 271 proceeding—using the flawed performance standard that Verizon itself chose for its analysis—demonstrated that Verizon did not provide timely BCNs during the January through March 2001 time period. As the Pennsylvania Commission's *Consultative Report* points out, Verizon's reported BCN performance was substandard--87% in January 2001 and 94% in February and again in March 2001.[42] Even this performance is overstated because Verizon used an entirely different –and improper -- measurement process than AT&T used.[43] Verizon measured only one step of a multi-step BCN delivery process. Verizon based its measurement on whether its service order processor received the billing information update, which is merely the trigger event for the service order processor to transmit to Verizon's gateway hardware the information necessary to create and transmit a BCN.[44]

53. Verizon's measurement, therefore, is not based on whether the BCN is actually transmitted but rather measures whether, once the service order processor obtains information from Verizon's billing system, the service order processor timely transmits that information to the gateway hardware. If the billing systems do not in fact transmit the billing update information to the service order processor, Verizon's BCN measurement would not capture this failure, since the measurement only evaluates the performance of the service order processor assuming the processor receives the billing update information. Similarly, the BCN measurement does not evaluate whether the gateway hardware actually prepares and transmits the BCN once it receives the billing update information from the service order processor.

[42] *Consultative Report of the Pennsylvania Public Utility Commission* at 90, CC Docket No. 01-138 (June 25, 2001).

[43] Technical Conference at Tr. 15-17 (M-00001435, 4/4/01).

[44] *Id.*

54. Verizon's methodology thus has three key shortcomings. First, it fails to classify as late a BCN that is never delivered to the CLEC due to the failure of Verizon's billing systems to provide a billing update to the service order processor. Unless the billing systems provide an update to the service order processor, Verizon does not even start the clock ticking on the due date for transmitting the BCN. In other words, no BCN can ever be measured for timeliness unless and until the billing information is updated to the service order processor. By exclusively focusing on whether the service order processor timely transmitted the BCN information <u>once it received the update from the billing system</u>, Verizon's measurement completely fails to evaluate whether its billing system timely transmitted the billing update information to the service order processor. Thus, if a billing system update is not submitted to the service order processor at all, the CLEC will never receive a BCN, yet Verizon will never consider or count that BCN as late.

55. Second, Verizon's BCN measurement fails to measure the end-to-end BCN delivery process. Rather, Verizon's measure encompasses only one step of a multi-step process. Verizon's flawed methodology is analogous to an overnight package delivery company claiming 94% timely overnight delivery when measuring package travel time between the receiving distribution center and the end customer. A more meaningful –and typical—measure is the end-to-end time required to send a package from the sending customer to the receiving customer. AT&T's measure appropriately encompasses the end-to-end multi-step process of BCN creation and delivery measured from the completion date of the provisioning work to the delivery/receipt of the BCN.

56. Third, it appears that Verizon's measurement fails to capture whether the BCN is physically sent to and received by the CLEC. Indeed, Verizon's measure may not evaluate whether a BCN has actually been sent, since Verizon assumes that when its gateway systems

notify the Service Order Processor of the need to transmit the BCN, the BCN is in fact sent. As a result, Verizon may count any BCN notifier that may become stuck in Netlink, or otherwise fail to be physically transmitted, as timely, when in fact, the BCN has never been sent, and thus the CLEC has never received the BCN.

57. Apparently recognizing that there is not a scintilla of evidence in the record of the state 271 proceeding to support its claim that it provides timely BCNs, Verizon now relies on data computed using a standard of SOP to BCN within 4 business days to support its FCC application.[45] But even according to its new, further diluted standard, Verizon's reported results—which are completely unsubstantiated and untested—confirm its BCN failures. As recently as March 2001, Verizon concedes that it achieved only a 90% on-time rate. Only in April did its on-time performance supposedly meet the 95% standard. But CLECs have no way of examining the veracity of Verizon's claims, since Verizon relies on an internal time stamp of when its SOP receives field work completion and billing update information. Verizon does not share the internal SOP time stamp information with CLECs.

58. Even accepting *arguendo* Verizon's preferred four day interval, AT&T examined its March BCN commercial experience using that more generous standard and still found that only 75% of the March BCNs arrived on time--within four days of the field provisioning completion date. Using a more reasonable standard of three days—the same standard that is applied in New York—the on-time rate drops even lower, to 72%.[46] Clearly, Verizon has a substantial problem that it has not yet fixed. For these reasons, the BCN measurement must evaluate the timeliness of a BCN from the date that the field provisioning work is done to the date that the gateway

[45] McLean/Wierzbicki/Webster Declaration at ¶106 & Attach. 24.

[46] *See AT&T's March 2001 Commercial Availability Comments* at Exhibit 1 (M-00001435, 4/13/01).

transmits the BCN and the CLEC receives the BCN. Verizon knows the field provisioning date based on the date that its workforce administration database is updated. Verizon also maintains records of the date and time stamp showing when its gateway transmits the BCN records to CLECs and when CLECs actually receive and open the electronic files containing the BCNs.[47] For these reasons, Verizon should be required to measure the end-to-end timeliness of its transmission of a BCN and the CLEC's successful receipt of that notifier, from the starting point – when the field provisioning work was finished — to the end point -- when the CLEC successfully receives the BCN. If Verizon's systems malfunction at any intermediate point along that path, and cause a delay in the transmission of the BCN, Verizon should report that BCN as late.

59. Even more importantly, Verizon must repair its systems so that at minimum it generates 95 percent of its BCNs on time, based on the end-to-end measurement of BCN transmission rather than on Verizon's incomplete and self-serving definition of "on-time" that allows Verizon to mask its poor systems performance. Unless and until Verizon's systems achieve this performance, Verizon's OSS will continue to provide substandard and discriminatory wholesale service to CLECs.[48]

C. Inaccuracies In Verizon's Line Loss Reports Have Resulted In Double Billing Problems for End User Customers.

60. AT&T experiences a steady stream of complaints from its newly subscribed cable telephony customers that the customer received a bill not only from AT&T but also from its prior

[47] Technical Conference at Tr. 11, 37-38 (M-00001435, 4/4/01).

[48] Verizon's retail operations do not have to depend on the receipt of a billing completion notice to find out whether the customer's billing records have been updated after a customer service order has been processed. Verizon retail can directly access Verizon's records to confirm that billing records have in fact been updated.

service provider as well. In each of these situations that AT&T has documented, the customer had switched from another CLEC to AT&T.

61. When AT&T receives a customer's "double billing complaint," AT&T representatives investigate their records to confirm that AT&T began billing the customer after AT&T confirmed that Verizon had completed the provisioning work necessary to port the customer's telephone to AT&T.

62. AT&T next contacts the competitor that the customer identified as its former service provider, with the customer's consent and participation, to advise the competitor that the customer has terminated service with the competitor as of the specified date on which Verizon completed the work, and to request the competitor to stop billing the customer.

63. After further investigating these situations with MCI WorldCom, which has encountered this situation with AT&T, AT&T has re-confirmed that it began billing the customer coincident with Verizon's provisioning of the number porting order. MCI also has confirmed that it did not receive any notification from Verizon that MCI had "lost" the customer to AT&T. A sample list of 8 such telephone numbers relating to seven separate customer double billing complaints that AT&T received are attached as Exhibit 2. In each of these cases, MCI WorldCom advised AT&T that it did not receive notice from Verizon that the customer had transferred to another carrier.

64. Verizon is supposed to provide notification of "lost customers" on daily line loss reports that are supposed to advise CLECs of any of their customers that have transferred service to another CLEC or to Verizon. Verizon's failure has resulted in a number of AT&T customers being double billed. The Commission must require Verizon to provide timely, complete and accurate line loss reports as part of its OSS obligations.

D. Billing: Verizon's Wholesale Billing Processes Are Inadequate And Deny CLECs a Legitimate Opportunity To Compete In the Pennsylvania Local Market.

1. Verizon Has Promised For Nearly Two Years That It Will Make Commercially Viable Electronic Bills Available to CLECs.

65. AT&T continues to suffer from Verizon PA's stonewalling in refusing to provide AT&T with a usable mechanized or electronic version of its UNE-P bills. Since AT&T set up its wholesale account with Verizon PA in November 1999, AT&T has requested Verizon to provide UNE-P bills to AT&T in an electronic, mechanized format, known as CABS BOS BDT. Even though KPMG reported that it began receiving mechanized UNE-P bills from Verizon PA in the spring of 1999, AT&T continued to receive only paper copies of its UNE-P bills until March of 2001—well over a year after Verizon first claimed that it offered UNE-P bills electronically in the CABS/BOS format. Even in March 2001, and continuing through today, Verizon's BDT wholesale bills to AT&T are still commercially unusable.

66. Additionally, AT&T still continues to receive paper bills for its UNE-Loop services. The mounds of paper bills that AT&T receives from Verizon, which can be stacked at least six feet high, make it virtually impossible for AT&T to review or audit the accuracy of these bills. KPMG's Mr. Sears readily agreed that auditing paper bills increases the amount of effort to verify bill accuracy and that this effort further increases as the amount of paper increases.[49]

67. Verizon's witness Warren Geller explained the various stops and starts that Verizon has undergone with its UNE-P electronic bill:

> I do recognize, and Verizon does recognize, that the volume of paper bills that are generated by Verizon can be somewhat unmanageable by CLECs. We do recognize that an electronic bill is most assuredly a desirable media for our customers. Since late 1999, we've been working to render an electronic bill to our customers,

[49] OSS Workshop at Tr. 342 (M-00991228, 12/8/00).

wholesale customers rather, in Verizon South. We fully understand the importance of this bill to help facilitate an expeditious review and settlement of the inter-company charges of the CLEC back to Verizon.

The relevant industry guidelines are called BOS BDT, billing output specifications bill data tape, from the ordering and billing form, OBF. In January of 2000, we informed the industry that BOS BDT was available in Verizon South. At that point various CLECs indicated that they wanted the additional medium in BOS BDT and had asked Verizon to do the necessary set-up so that they might receive this medium. It wasn't until after our version 33 release of the BOS BDT in April of 2000 that Verizon recognized that the product that we had out there would not meet the needs of the CLEC community; and although we continued to provide BOS BDT to the CLECs that had subscribed, we did it with the understanding that the content was not totally accurate and should not be used as a billing medium until all problems were resolved.

We did at that point in time, for CLECs that were still asking for BDT, we did continue to take their requests, but once again, they were told that we were suspending our BDT because of the problems that we had in the ensuing months during the course of the year 2000, for those CLECs that were receiving the BDT, since some of them still requested to remain on BDT for purposes of evaluating the data, these CLECs would identify the issues that they saw regarding formatting of the tapes, and we then would investigate and analyze and review and incorporate changes that we deemed necessary to subsequent releases or fixes.

In October of 2000, Verizon informed the CLECs that were already receiving the BOS BDT tapes, as well as the additional CLECs that had also requested the BOS BDT and we told them that the product was not viable, that with our release in October, that we felt that we had a commercially viable product for the CLECs to use.

The feedback process that existed the greater part of the year 2000 between the CLECs and Verizon did not stop at this point in time. It was continued, and as a result there were additional fixes that Verizon implemented in the December time frame. The iterative nature of review and fix will continue as CLECs and Verizon validate the tapes and identify the areas that are different. Some of these differences result in software changes, while others are noted as differences but are differences in interpretation of the standard between an individual CLEC and Verizon.[50]

68. Mr. Geller's testimony clearly documents that Verizon has been trying unsuccessfully to produce the UNE-P electronic bill in Pennsylvania for close to two years. In contrast, Verizon's development of UNE-P electronic bills has not encountered these same depth

[50] Technical Conference at Tr. 74-77 (M-00001435, 3/7/01).

and type of problems and issues in either New York or Massachusetts, because the billing systems used in those states is completely different from the billing system that Verizon uses in Pennsylvania.

69. Given that Verizon's charges comprise the single largest cost of providing local service to customers, CLECs need to be able to closely scrutinize Verizon's charges in their efforts to sustain their local telecommunications business. Verizon is unable to show that it provides CLECs with nondiscriminatory and commercially reasonable access to its billing functions.[51] Verizon does not provide CLECs with complete and accurate electronic bills that CLECs may use to examine the reasonableness and accuracy of wholesale charges that Verizon imposes on CLECs.[52] Carriers thus are unable to effectively review and audit the charges on their wholesale bills to confirm that the charges are accurate.

70. There is no question that CLECs are denied a meaningful opportunity to compete when they are denied the ability to timely analyze billing data, which can only be accomplished through an electronic or mechanized UNE-P wholesale bill. CLECs simply cannot manage their businesses if they are unable to determine whether their wholesale charges are accurate and complete. As the Pennsylvania Commission concisely explained in its Consultative Report:

[51] "[A] BOC must provide competing carriers with complete and accurate reports on the service usage of competing carriers' customers in substantially the same time and manner that it provides such information to itself, and wholesale bills in a manner that gives competing carriers a meaningful opportunity to compete." *Verizon Massachusetts Order* at ¶97.

Billing is an important aspect of the competitive marketplace. Verizon PA needs to issue timely, accurate, auditable bills to be paid and to give its CLEC customers a meaningful and realistic opportunity to accurately assess their operational costs. It is undisputed that electronic billing is an essential component of the billing process as established in the record. Without adequate electronic billing, CLECs are unable to verify the accuracy of Verizon PA's wholesale bills in a timely manner.[53]

Moreover, without access to electronic billing data, CLECs are forced to devote inordinate time and personnel to reviewing mountains of paper or else accept on blind faith that Verizon's paper bills are not grossly incorrect. In contrast to its treatment of wholesale customers, Verizon provides its own retail customers with retail bills in electronic format (CD-ROM, EDI, Magnetic Tape). Wholesale customers have the right to expect similar treatment, since Section 251 prohibits Verizon from discriminating between its wholesale and retail customers. Notably, Verizon's own web site extols the benefits of electronic billing for its large retail customers[54] — benefits that are almost identical to those that CLECs explained to the Pennsylvania Commission that they hope to realize when – or if -- Verizon ever successfully implements an accurate and reliable electronic bill for CLECs.

(...Continued)

[52] *AT&T's Comments on February 2001 Commercial Experience Data* at 14-15 (M-00001435, 3/23/01). The FCC also made clear in the *Verizon Massachusetts Order* that electronic bill transmission problems and other CLEC commercial experiences that document billing problems may warrant a finding that Verizon's billing systems are not accurate and not prompt, and that Verizon does not provide competing carriers a meaningful opportunity to compete, when balanced against third party OSS testing favorable findings. *Id.* at ¶99. That is precisely the situation here. KPMG reviewed the accuracy of paper bills and not the accuracy of the charges reported on an electronic bill. *See* KPMG Third Party OSS Test Final Report, M-00991228, TVV-2; PPR-15; OSS Workshop at Tr. 342 (M-00991228, 12/4/00). Moreover, during the 271 technical conferences, Verizon billing witness Warren Geller confirmed that the UNE-P BOS BDT mechanized bill that Verizon provided to KPMG as part of the third party test contained numerous errors and mistakes, and by Verizon's own admission, "was not commercial grade." Technical Conference at Tr. 102 (M-00001435, 3/7/01).

[53] *Consultative Report of the Pennsylvania Public Utility Commission* at 102.

[54] *See* http://www.bellatlantic.com/largebiz/bill_powerbill.htm.

71. Verizon's effort to provide AT&T an electronic wholesale bill have been a comedy of errors. As noted above, AT&T requested at the outset that Verizon provide it with UNE-P bills in electronic, mechanized format known as CABS/BOS/BDT. Although Verizon first announced that CABS/BOS/BDT bills were available in the spring of 1999, it was unable to provide these bills to AT&T and provided paper bills instead. Verizon next claimed that it offered a mechanized UNE-P CABS/BOS bill in October 2000. Again, however, AT&T continued receiving paper bills while evaluating BDT test bill files to determine whether they were commercial grade. AT&T's review, however, confirmed that these test bills were fraught with error. In January 2001, after months of communication and other failed attempts to provide an accurate test bill in CABS/BOS format, Verizon provided new test UNE-P and UNE-Loop bills in a mechanized format for AT&T to review. Even for these bills, however, systemic problems still persisted, such as the failure of the bill summary to match the detail billing sections; and, monthly service charges, payment adjustments, taxes and usage charges were not in balance, and therefore, were misreported.[55]

72. Following the January 2001 UNE-P test bill debacle, Verizon issued February and March 2001 test bills that purported to correct the earlier-identified problems. Again, however, AT&T found many of the same flaws were present that rendered the January 2001 UNE-P BDT bill useless. AT&T again reported these results to Verizon, and many other carriers expressed similar concerns during the technical workshops and *en banc* hearings before the Pennsylvania Commission.[56]

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[55] Technical Conference at Tr. 57-58 (M-00001435, 4/4/01);

[56] For example, MCI WorldCom, Z-Tel and Covad complained about the errors and problems with the UNE-P BDT bills as of March and April of this year, and no carrier stated that it was able to use the BDT bills. *See* Technical Conference at Tr. 131-132, 137-38 (M-00001435, 3/7/01); *En Banc* Hearing Tr. at 97, 99, 108.

73. During the technical conference before the Pennsylvania Commission, Verizon itself acknowledged the problems with its UNE-P BDT bills spanning back to the spring of 1999 and all of its ensuing subsequent failures.[57] During the March 7, 2001 session of the technical conference, Verizon witness Warren Geller chronicled the problems that Verizon has experienced with developing a commercially useable and viable UNE-P BDT wholesale bill. There, he stated that, "We [Verizon] do recognize that an electronic bill is most assuredly a desirable media for our customers."[58] He went on to state that Verizon was busy trying to solve this problem.

2. Verizon's Recent Actions Still Fail To Produce A Commercially Reasonable Electronic Wholesale Bill That Competitors Can Use and That Is At Parity With The Billing Services That Verizon Offers To Its Retail Customers.

74. Even Verizon's most recent efforts have been repeatedly marked by false steps. Verizon scheduled changes for April 21, 2001 were inexplicably postponed until after the *en banc* hearings were held by the PaPUC on April 28, without properly notifying CLECs of the delay through change control.[59] Even then, not all of the promised changes were implemented.[60] Additionally, the most recent test bill provided by Verizon, dated June 10, 2001, still omits critical details which are required for AT&T to audit the bill.

75. Verizon likewise acknowledged to the Pennsylvania Commission at the April 26, 2001 *en banc* hearing that its UNE-P BDT product was still not commercially viable. Mr. Geller explained that of the 66 problems that CLECs had identified to Verizon concerning the then most

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[57] Technical Conference at Tr. 73-77 (M-00001435, 3/7/01).

[58] Technical Conference at Tr. 75 (M-00001435, 3/7/01).

[59] En Banc Hearing Tr. 106 (M-00001435, 4/26/01).

[60] Two essential changes identified by AT&T that were scheduled for the April 28, 2001 release were not implemented. There were other issues identified by other CLECs that also were not implemented. Obviously, it will not be possible to determine whether the changes that were implemented on that date were successful until after Verizon issues new wholesale bills in forthcoming billing cycles.

recent UNE-P BDT bills, 25 of those problems remained unresolved as of that date. Verizon claimed at that time that these problems were supposedly going to be resolved in mid-June.[61]

76. Verizon witness Geller also appropriately proposed that CLECs should have the opportunity to review bills from several billing cycles following the mid-June modifications to verify the accuracy of the UNE-P BDT bills.[62] Once Verizon confirmed that the UNE-P BDT bills were accurate, Verizon would then offer CLECs with the choice of electing the BDT bills to be the official bill of record.

77. The "bill of record" designation simply means that the BDT bill would be denoted as the official bill for requesting CLECs and they could use that version of the bill as their official invoice. Because of the quality problems that plagued the BDT bill, Verizon historically was not willing to provide CLECs with the option of designating the BDT bill as the bill of record. Until the BDT bill is accurate or reliable, there is no point in relying on the BDT bill as the official bill of record.

78. Verizon inexplicably made an abrupt "about face" within 11 days after the April 26, 2001 *en banc* hearing. Rather than implementing the needed system modifications and then providing CLECs with the opportunity to review the BDT bills for several billing cycles to determine whether the bills are in fact reliable and useable, Verizon simply declared on May 7, 2001 its intention to provide CLECs with the option to choose the BDT bill as the official bill of record. This announcement was first set forth in Verizon's response to a post-hearing data request and then followed by a change control notice issued on May 22, 2001. Verizon's behavior is a thinly disguised attempt to circumvent regulatory and CLEC scrutiny of the quality

[61] En Banc Hearing Tr. 106-107 (M-00001435, 4/26/01).

[62] *Id. at* Tr. 146.

of the BDT bills. Certainly, in the 11-day period from the time of the *en banc* hearings, when Verizon admitted that the e-bills were still insufficient to the time of its May 7th data request response, Verizon could not have possibly repaired all of the problems with the BDT bill. Indeed by Verizon's own admission, numerous system fixes were planned for mid-June and in fact, other fixes have now been scheduled for July and August.[63]

79. The mere fact that Verizon has now offered CLECs the option to make the e-bill the official bill-of-record has no bearing on whether the wholesale e-bill is accurate and reliable. The Pennsylvania Commission mistakenly relied on Verizon's offer to allow CLECs to select the e-bill as the bill of record, even in the face of Verizon's admissions that more modifications and enhancements to the e-bill were planned for the future. As of the time that the Pennsylvania Commission issued its *Consultative Report*, and even today, there has been no independent third party verification that Verizon has even installed the planned mid-June changes, or that the most recent system modifications have resolved the systematic and chronic e-bill deficiencies. CLECs certainly have not had a sufficient opportunity to review even one bill cycle -- let alone the "several" cycles recommended by Verizon's witness -- of BDT bills issued following the implementation of any BDT system modifications that were scheduled for mid-June. CLECs will not be able to evaluate and verify that these "fixes" have in fact corrected the problems with Verizon's wholesale bills, until after they receive their July 2001 bills. If Verizon's track record is any predictor of the future, it is unlikely that the June 2001 fixes will solve the myriad of outstanding problems.

[63] McLean/Wierzbicki/Webster Declaration at ¶152. No change control notification has yet been issued (but should have) with respect to any of these modifications that are supposedly planned for July and August 2001.

80. Critically, Verizon now has revealed for the first time that additional e-bill modifications are scheduled for July and August.[64] Third party verification of any of these changes must at least await the August and September billing cycles. Clearly, Verizon cannot demonstrate that it meets its obligation today to provide nondiscriminatory billing services to CLECs that are at parity with the services that it provides to its retail customers.

81. In fact, Verizon's own 271 filing confirms that numerous major issues with the accuracy of the BDT bills remain unresolved. As reported in the Pricewaterhouse Coopers Report of Verizon's manual adjustment process, the mechanized BDT bills still do not balance and do not mirror the paper bills of record. And yet more problems plague the BDT bill today, such as the use of different dates for charges that appear on the comparable paper bill, and the appearance of usage charges on platform BDTs that are designated as resale charges.[65]

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[64] McLean/Wierzbicki/Webster Declaration at ¶152. Verizon has failed to issue any change management notices to CLECs concerning the anticipated system changes even though it is clearly required to do so.

[65] "Management of Verizon asserts that: The BDT has the same dollar value as the Paper Bill for those key summarization points and key billing elements contained in Exhibit A *except for the following:* a) Verizon's BDT manual adjustment validation process (the purpose of which is to insert a manual adjustment into the BDT if it does not initially equal the Paper Bill) creates a manual adjustment to the BDT (which appears in the Additional Credits and Charges section of the BDT), *causing certain BDT billing elements and summarization points to be different from similar billing elements and summarization points on the paper bill*; however, the total dollar value of the BDT is the same as the Paper Bill.")(emphasis added).

Management of Verizon also assert that: "The BDT contains a sufficient level of detail for a third party to recalculate specific elements contained in the BDT as detailed in Attachment I, Exhibit C, *with the exception of the following:*

a) Verizon's BDT manual adjustment validation process (the purpose of which is to insert a manual adjustment into the BDT (which appears in the Additional Credits and Charges section of the BDT) which do not provide detailed information to allow recalculation of the adjustment.

b) In certain instances for Loop, Platform, and Resale Invoices, the date on the BDT for when the service was initiated differs by one day from the date on the Paper Bill.

Bluvol/Kumar Declaration, Attachment 1 at 3 (emphasis added).

3. Verizon's Manual Adjustment Process to Produce Electronic Bills Is Not a Suitable Substitute For Producing Automated Electronic Bills That Competitors Can Meaningfully Use To Verify The Wholesale Charges Incurred from Verizon.

82. In order to make the BDT bills balance, Verizon has concocted a complex and completely manual workaround process that requires Verizon personnel to review and manually correct BDT errors before issuing the BDT bills to CLECs.[66] The manual workaround process addresses such fundamental matters as: (a) performing manual edits to the BDT bill to reconcile the BDT bill to the paper bill for "known conditions," for which Verizon is purportedly working on developing a software fix; and (b) investigating and identifying reasons why the BDT and paper bills are out of balance, and then manually adjusting the BDT bill to balance with the paper bill totals. Importantly, PwC noted that the bill details – the valuable data elements provided as part of the electronic bill – would remain discrepant if they were the cause of the unbalanced totals.[67]

83. The use of manual adjustments to make the BDT balance makes it virtually impossible for CLECs to perform any kind of reasonable auditing and verification of the charges on the bill—which is the primary reason why CLECs need electronic bills. There is no means of tracking the manual adjustments and verifying their accuracy. In addition, the manual adjustments may well cause the subtotals on the electronic bill to be out of balance. The use of a manual workaround process is no substitute for issuing accurate, mechanized electronic bills. An electronic bill that was manually manipulated in order to bring it into balance is discriminatory on its face. It is unlikely (and certainly Verizon has offered no evidence) that Verizon provides

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[66] *Id.*

[67] Bluvol/Kumar Declaration at 11.

electronic bills to its retail customers that have been manually adjusted to balance and which are incapable of being audited.

84. Verizon attempts to gloss over this quagmire by relying on future system modifications that will purportedly reduce the need for prospective manual adjustments. This claim, however, is completely unsupported by any concrete facts or information and is certainly suspect on its face given Verizon's more than two year track record of claiming that "future fixes" will resolve the BDT problems. Verizon claims that additional system changes are scheduled for July and August, but provides absolutely no details as to the nature of the fixes and the problems that the fixes are supposed to address.[68] The bottom line is that as of today, Verizon does not offer a commercially viable mechanized BDT UNE-P bill, despite Verizon's continual (and unkept) promises to the Pennsylvania Commission and CLECs that it would do so.

85. Not even the Pricewaterhouse Coopers LLP ("PwC") June 19, 2001 report that Verizon specifically commissioned (and which PwC completed on the very same day that Verizon filed its 271 application) lends support to Verizon's attempt to explain away its failure to implement electronic billing. In fact, the PwC report vividly highlights and confirms the many flaws in Verizon's BDT product.

86. Apparently, PwC agreed to undertake in an attestation engagement to review the accuracy of Verizon management's assertions regarding the BDT bills. Accordingly, the starting place to comprehend the findings of the PwC report is to examine the management assertions Verizon made. The narrow scope and numerous qualifications embodied in the Verizon managers' assertions make clear that the fundamental inaccuracy and unreliability problems that have permeated the BDT bills since Verizon first tried to roll them out in Pennsylvania continue to

this day. Of the five manager's assertions that PwC examined and attested to, only the first one was unqualified. The remaining four assertions contain so many limitations and exceptions that they are virtually meaningless.

87. First, Verizon restricted the scope of PwC's analysis to comparing the BDT wholesale bills against the comparable paper wholesale bills to determine whether the BDT bills matched the paper bills. Verizon did not request, nor did PwC undertake, any review of the accuracy of the paper wholesale bills, claiming that KPMG already had concluded that the paper bills were accurate.[69]

88. Verizon's reliance on the KPMG OSS Report for proving the accuracy of its paper bills is completely misplaced. KPMG only examined the paper bills that Verizon issued to KPMG's pseudo-CLEC, and did not examine any actual paper bills that Verizon prepared for any CLECs that are in commercial operation in Pennsylvania.[70] Likewise, any conclusions that KPMG reached regarding Verizon paper bills were confined to the paper bills of KPMG's pseudo-CLEC operations and not necessarily applicable to CLECs. Further, Verizon was only able to pass this portion of the third party OSS test after months of constant revisions and corrections to those bills, based on KPMG's identification of errors and discrepancies with those paper bills. KPMG based its evaluation of whether Verizon's paper bills were acceptable upon the corrected bills that Verizon ultimately issued after those months of effort. Obviously, simply because Verizon managed, after many bites at the apple, to correct the specific paper bill defects

(...Continued)
[68] *Id.*

[69] *See* Bluvol/Kumar Declaration at ¶14; McLean/Wierzbicki/Webster Declaration at ¶143.

[70] *See* OSS Workshop Tr. at 343 (M-00991228, 12/8/00).

that KPMG identified to Verizon certainly cannot be extrapolated to suggest that Verizon routinely issues accurate paper bills to CLECs.

89. Indeed, during the 271 commercial availability period, CLECs brought to light many problems with the accuracy of Verizon's paper wholesale bills. In fact, Verizon's own OSS Declaration in this proceeding details numerous, undisputed problems that CLECs identified in the state review proceeding *after* KPMG had already concluded its third party OSS test.[71] Evidently, KPMG did not observe these problems during its test, either because the problems arose after the test was completed in December of 2000, or because the problems appeared on CLECs' bills but not on the KPMG pseudo-CLEC bills. In either case, Verizon's reliance on KPMG's test findings regarding the accuracy of Verizon's paper bills is completely misplaced. Carriers in the state 271 proceeding testified to the extreme levels of inaccuracies that they found when they attempted to evaluate the paper bills. For example, Z-tel witness Peggy Rubino explained, "Even the paper bills continue to have incorrect usage, incorrect rates, incorrect USOCs, USOCs for things we shouldn't be seeing on our bills, incorrect interexchange carrier charges that don't belong on our bills. So the information even in the paper bills, even if we were able to go through and audit those, is not correct."[72] Clearly the most recent commercial experience of CLECs is totally inconsistent with Verizon's bold claim that its paper wholesale bills are accurate.

90. The PwC Report simply confirms that Verizon's manual workaround processes—if followed as prescribed—could enable Verizon to issue UNE-P electronic bills that have the same total amount as the comparable paper bills, only due to pure manual manipulation of the bill.

[71] *See* McLean/Wierzbicki/Webster Declaration at ¶¶158-162. (For example, CLECs identified the following undisputed problems: incorrect taxing of wholesale accounts; dropped resale discount from February 2001 bills; some CLECs received individual end-user bills separately from the summary bill master; incorrect bills for directory advertising).

These manual adjustments, however, completely thwart the ability to any third party to audit and verify the bill charges. For example, PwC concluded that while the total amount of the BDT and paper bills may ultimately match, Verizon's manual adjustment process may cause the BDT billing elements and summarization points to be different from the paper bills. Consequently, the subtotals on the BDT and paper bills may not match.

91. Another major flaw that PwC brought to light concerns the restrictions that the manual adjustments impose on CLECs' ability to recalculate specific elements contained in the electronic bill. The manual adjustment process does not provide detailed information to allow the recalculation of the adjustment. Consequently, CLECs have no way to recreate the manual adjustments and are therefore unable to verify their accuracy. Yet, the key reason why CLECs need e-bills is to be able to analyze and verify the accuracy of the charges they incur from Verizon. In fact, as noted above, Verizon touts to its own retail customers the advantages of receiving electronic billing data so that its customers may analyze and re-format the billing information.[73] Simply put, Verizon's manual adjustment validation procedure is no substitute for providing an automated and accurate electronic bill that is capable of being audited and validated by CLECs. While Verizon's adjustment process and PwC's review is focused on the subtotals and the net differences between the electronic and paper bills, it is important to recognize that the number of individual (detailed) errors may be very large even though they net to a small subtotal deviation. For example, if AT&T is billed incorrectly for 105 telephone numbers that are not

(...Continued)
[72] Technical Workshop at Tr. 137-38 (M-00001435, 3/7/01).

[73] Other impediments that PwC noted are that the dates of initiation of service differs by one day from the date on the paper bill; the call type indicator on the BDT and paper bills sometimes differ; and certain billing items appear only at the summary level and omit the detailed records. Differences in the detailed billing records on the electronic and paper bills also exist.

associated with AT&T customers, and at the same time AT&T is *not* billed for 100 telephone numbers associated with our customers (due to a Verizon error), the net effect on the subtotal may be very small; however, AT&T must use its own resources to research and resolve all 205 issues.

92. If the details of the electronic bill are reflected correctly, then AT&T should be able to recreate the subtotals on electronic bills. Verizon, however continues to provide AT&T with incorrect billing details. One important aspect of those details is the ability to relate each and every charge (USOC) to a specific Telephone Number. Absent this relationship, a CLEC cannot perform a mechanized inventory reconciliation. Nevertheless, as stated above, Verizon continues to fail to provide TNs for each USOC. When this occurs, the specific charges are "dropped" from the bill analysis tools, causing a mismatch between the bill details and the bill subtotals, because the "dropped" bill details cannot be identified/validated. As recently as June 10, the electronic bill received by AT&T omitted information that would allow AT&T to identify the customers generating 12% of the total charges on the bill. This effectively causes the sum of the detailed charges (which can be attributed to a specific customer) to mismatch the bill subtotals by 12%. There is no evidence that the Verizon/PwC analysis evaluated the sufficiency and accuracy of this detailed, yet critically important requirement of electronic billing.

93. PwC's more recent analysis of the electronic bills that Verizon issued for 31 CLECs during May 20 through June 13, 2001 does not resolve the outstanding problems and issues.[74] PwC and Verizon continue to rely on the untested premise that the paper bills are accurate, and reconciliation of the electronic bill to the paper bill is sufficient. Without validation of the accuracy of the underlying paper bill, however, the entire foundation for the report

crumbles. Moreover, AT&T's own analysis of Verizon's most recent electronic bill of June 10, 2001 shows that several critical problems remain, all of which are caused by Verizon's failure to follow industry billing guidelines. These problems preclude AT&T from being able to use the electronic bill in the format transmitted by Verizon and require it to invest significant time and cost to work on fixing the problems that Verizon caused.

94. First, Verizon routinely fails to provide a telephone number for every charge (coded according to the Universal Service Order Code ["USOC"])[75] that is listed on the bill. Verizon's failure precludes AT&T from being able to reconcile those charges for which Verizon failed to provide an associated telephone number. As noted above, AT&T found that 12% of the charges were in this condition on its June 10, 2001 bill.[76] In each instance, AT&T must incur additional administrative cost –due entirely to Verizon's errors—to manually research the TN that should be associated with the USOC before AT&T can meaningfully use the billing information. Although Verizon claims to have fixed this problem in its April 2001 billing system release, there has been no independent third party verification of any of the April billing system modifications, and AT&T's experience certainly demonstrates that the problem persists today.

95. Second, the electronic bills continue to be incorrectly formatted in violation of industry billing guidelines. This problem has persisted since December 1999 based on AT&T's experience, and it remains a hindrance to AT&T's ability to use the electronic bills. Verizon's failure prevents AT&T from being able to input and sort the data into its own electronic billing

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(...Continued)

[74] *Verizon Ex Parte* Letter of July 3, 2001 from Clint Odom to Magalie Roman Salas.

[75] USOCs are used by local carriers to identify the services and features used in offering telecommunications services to customers. *Ameritech Michigan Order* at ¶137 n.336.

[76] The bill reference number is BAN 717106101999.

interface that was developed in accordance with industry guidelines. The bottom line is that Verizon's current e-bills still must receive a failing grade, unless and until Verizon fixes these longstanding electronic bill problems.

E. None of the Conditions That the Pennsylvania Commission Imposed Will Solve The Current Problems With Verizon's Wholesale Electronic Billing.

96. The overwhelming record evidence of Verizon's present e-billing failures unequivocally demonstrates that Verizon is denying competitors a meaningful opportunity to compete. Knowing that Verizon does not today provide an accurate and reliable e-bill to competitors, the Pennsylvania Commission instead tried to deflect attention toward the implementation of measures to obtain Verizon's future compliance. The PUC's directives, however, that Verizon must prospectively measure its e-bill performance in the C2C reports and that Verizon will be subject to additional remedies for billing metrics failures have no bearing on, and cannot disguise the fact that Verizon does not today provide CLECs with an accurate and reliable e-bill today.[77]

97. The conditions that the PUC imposed in connection with its agreement to provide a favorable consultative recommendation simply confirm that as of *today,* Verizon's electronic billing does not work. In fact, the PUC-imposed conditions are all forward-looking as the PUC claims that the adjustments to the billing metrics and remedies are designed to provide Verizon with the future incentive to implement future planned modifications to Verizon's billing systems.[78] But future promises of adequate performance are no substitute for demonstrating present compliance with the competitive checklist.

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[77] *Pennsylvania PUC Secretarial Letter,* M-00001435 (June 6, 2001).

[78] *PUC Consultative Report* at 103.

98. Indeed, the PUC's directives do not even achieve their intended purpose of providing Verizon with the incentive to promptly fix its e-billing problems in the future. Because of the incorrect manner in which Verizon has already conceded that it administers the billing metrics and remedies, errors and problems with both paper and e-bills will continue to be masked.

99. Historically, none of the e-billing problems have been reported in the C2C metrics, since those metrics only applied to paper bills. In spite of all of the documented problems and issues with the accuracy of both the paper and e-bills, Verizon reported 100% perfect performance under its billing metrics for the months January through April 2001. This outcome arose for one simple reason: Verizon's unilateral decision to disregard the billing metrics definitions and report the metrics using an unauthorized methodology.

100. According to the C2C billing metric definitions, Verizon is supposed to report its results for the bills that it issued *two* months prior to the reporting month. This lag is necessary to enable CLEC reports of billing disputes and claims to be incorporated into the billing metrics calculations. Verizon's business rules prescribe that CLECs have 20 days from the receipt of their wholesale carrier bills to submit claims or disputes regarding those charges. Verizon is supposed to factor in the legitimately disputed charges into the billing metrics. CLEC billing disputes and claims may be only be incorporated into the metrics calculation if Verizon nets those claims against the applicable bills, which generally were issued 20 days before the due date for the billing disputes.

101. Instead, Verizon has consistently reported the billing metrics based on billing data generated in the reporting month. Consequently, Verizon has never recognized competitors' disputes and claims applicable to those bills that would have been received in all likelihood following the close of the metrics-reporting period. Of course, this entire discussion begs the

question of the CLECs' inability to review of mounds of paper bills to even identify charges that they want to dispute.[79] Verizon's erroneous methodology thus masks all of the bill disputes and problems that CLECs report to Verizon. Consequently, Verizon will not incur any PUC- ordered increased remedies – just as it does not incur any remedies today – for billing deficiencies, because those defects go unreported in the C2C performance reports.

102. Additionally, the modifications to the billing remedies are only temporary, and expire no later than December 31, 2001. This transient measure is unlikely to provide the incentive necessary for Verizon to fix the multitude of electronic billing problems on a permanent basis.

V. CONCLUSION

103. Verizon's positive portrayal of its OSS performance does not bear up under scrutiny when it is evaluated according to CLECs' actual commercial experience and according to its own wholesale performance as reported in the monthly C2C reports. Its OSS sorely lacks the capability to provide AT&T and other CLECs with nondiscriminatory access at a level that is comparable to the service that Verizon's own retail operations obtain. Verizon's OSS rely far too heavily on the manual processing of orders and fails to provide timely billing completion notifiers. Verizon also fails to provide electronic wholesale carrier bills that competitors can meaningfully evaluate and audit in order to assure that they are being charged properly for the wholesale services that they order from Verizon.

104. Verizon must be required to fix the problems that AT&T has identified and that are presented in Verizon's own C2C performance reports, and there must be independent third

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[79] MCI testified during the state 271 review proceeding that it currently receives 150 boxes of paper bills. *En Banc Hearing* Tr. at 97 (M-00001435, 4/26/01).

party verification that those repairs in fact solve the problems, before Verizon is permitted to enter the interLATA market in Pennsylvania.

105. This concludes our Declaration.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on July 10, 2001

Mason Fawzi

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on July 10, 2001

Robert J. Kirchberger